



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

MORGAN HILL

Morgan Hill Civic Center
Administration Conference Room
17555 Peak Avenue
Morgan Hill, California

Chair	Mike Roorda
Committee Member	Dennis Kennedy
Committee Member	Greg Sellers
Staff: City Manager	Ed Tewes
Finance Director	Jack Dilles

FINANCE AND AUDIT COMMITTEE

REGULAR MEETING

Wednesday, February 26, 2003

MINUTES

6:05 P.M.

CALL TO ORDER

Chair Roorda and Committee Members Kennedy & Sellers;
Staff: Tewes & Dilles

DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

PUBLIC COMMENTS

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

BUSINESS:

1. **Approval of minutes for December 12, 2002.**

The minutes for December 12, 2002, were approved.

2. **Investing to Benefit the Local Economy (Discussion update regarding South Valley National Bank and Heritage Bank South Valley)**

Staff presented a summary of the process that the Finance Committee has gone through in reviewing how to invest to benefit the local community, including the fact that both Heritage Bank South Valley and South Valley national Bank have made presentations regarding an opportunity for the City to invest idle funds in certificates of deposit with these banks. Staff also briefly described the latest proposal (included in the agenda) from South Valley National Bank. Committee discussion ensued. Chair Roorda indicated that he liked the ability to invest in a certificate of deposit with the ability to increase the rate once during the term of the proposed two year certificate of deposit with South Valley, should interest rates go up during that period. Committee member Kennedy asked if the City could just invest in the proposed South Valley cd without Council action. Staff responded that the City Treasurer, working with staff, could invest in certificates of deposit without City Council approval or a change in the investment policy, but, in order to include the additional benefits that South Valley proposed, it would be necessary to revise the investment policy. Committee member Kennedy asked staff to bring back to the Committee how the investment policy would need to be changed to accomplish the South Valley proposal and asked staff to check with the City Attorney regarding the proposal. Staff responded that staff would take these steps.

3. **State Budget Update (Discussion)**

Staff indicated that staff had just attended the annual California State Municipal Finance Officers convention in Sacramento and that the State's fiscal crisis and the State economy were key topics of discussion. Staff indicated that the State's Legislative Analyst, Elizabeth Hill, described her analysis of the budget and said that while the budgetary shortfall she calculated differed from the Governor's, there really was not much difference between their calculations over the next year and a half, since most of their differences were timing differences. She also indicated that the proposed shift of programs from the State to counties, along with new taxes to be raised, did not make economic sense for the counties, since the revenues would not keep pace with the cost increases of the programs shifted to counties. Further, the Legislative Analyst said she believed the vehicle license fee trigger, increasing taxes to taxpayers and eliminating the State take-away of these fees from local government, would be pulled; it just was not clear who would pull the trigger.

The City's budget picture is still clouded by the uncertainty surrounding how much money the State will take away from local government. City Manager Tewes indicated that the budget would be presented to the City Council on May 15 and that this would begin the process of managing next year's budget.

4. Financial and Investment Report for January 2003

This item was briefly discussed.

5. Future Agenda Items

Committee member Sellers indicated that he wants the Committee to discuss “new revenue sources for the City” and “the City’s reserve policy,” as directed by the City Council .

ADJOURNMENT

NOTICE

AMERICANS WITH DISABILITY ACT (ADA)

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City.

If assistance is needed regarding any item appearing on the City Council agenda, please contact the Office of the City Clerk at 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation.